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House of Representatives
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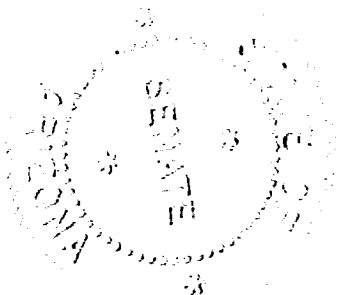
CHAPTER 237

HOUSE BILL 2181

AN ACT

AMENDING SECTIONS 20-224.03, 20-224.04, 41-1525, 41-1525.01, 41-1531, 42-12006, 42-15006, 43-1074, 43-1077, 43-1079, 43-1161, 43-1165 AND 43-1167, ARIZONA REVISED STATUTES; AMENDING LAWS 2001, CHAPTER 370, SECTION 9; RELATING TO TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)



Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 20-224.03, Arizona Revised Statutes, is amended to read:

20-224.03. Premium tax credit for increased employment in enterprise zones; definition

A. A tax credit is allowed against the premium tax liability incurred by an insurer pursuant to section 20-224, 20-837, 20-1010, 20-1060 or 20-1097.07 for net increases in qualified employment positions of residents of this state by an insurer that is located in an enterprise zone established under title 41, chapter 10, article 2. A tax credit is not allowed for the portion of the tax payable to the fire fighters' relief and pension fund pursuant to section 20-224 or the portion of the tax payable to the public safety personnel retirement system pursuant to section 20-224.01. SUBJECT TO SUBSECTION D OF THIS SECTION, the amount of the tax credit is equal to:

1. One-fourth of the taxable wages paid to an employee in a qualified employment position, not to exceed five hundred dollars, in the first year or partial year of employment.

2. One-third of the taxable wages paid to an employee in a qualified employment position, not to exceed one thousand dollars per qualified employment position, in the second year of continuous employment.

3. One-half of the taxable wages paid to an employee in a qualified employment position, not to exceed one thousand five hundred dollars per qualified employment position, in the third year of continuous employment.

B. To qualify for a credit under this section:

1. All of the employees with respect to whom a credit is claimed must reside in this state.

2. Thirty-five per cent of the employees with respect to whom a credit is claimed for the first year of employment must reside on the date of hire in an enterprise zone that is located in the same county in which the insurer is located. IF AN EMPLOYEE FOR WHOM A CREDIT WAS ALLOWED IN THE FIRST YEAR OF EMPLOYMENT LEAVES EMPLOYMENT DURING THE SECOND OR THIRD YEAR, THE TAXPAYER MAY SUBSTITUTE ANOTHER EMPLOYEE WHO MEETS THE REQUIREMENTS OF PARAGRAPH 3 OF THIS SUBSECTION AND WHO WAS HIRED DURING THE SAME YEAR AS THE ORIGINAL EMPLOYEE. IF THE ORIGINAL EMPLOYEE WAS COUNTED TOWARD THE RESIDENCY REQUIREMENT UNDER THIS PARAGRAPH, THE SUBSTITUTE EMPLOYEE MUST ALSO HAVE RESIDED IN A ZONE AT THE TIME THE SUBSTITUTE WAS HIRED.

3. A qualified employment position must meet all of the following requirements:

(a) The position must be a minimum of one thousand seven hundred fifty hours per year of full-time AND PERMANENT employment.

(b) THE JOB DUTIES MUST BE PERFORMED PRIMARILY AT THE ZONE LOCATIONS OF THE BUSINESS. IF AN ELIGIBLE EMPLOYEE IN A QUALIFIED EMPLOYMENT POSITION IS TRANSFERRED OR ASSIGNED TO WORK IN THE TAXPAYER'S WORKPLACE AT A DIFFERENT LOCATION THAT IS ALSO LOCATED IN AN ENTERPRISE ZONE AND QUALIFIES AS A ZONE

1 LOCATION, IT MAY BE CONSIDERED TO BE CONTINUOUS EMPLOYMENT IF IT CONTINUES
2 TO MEET ALL QUALIFIED EMPLOYMENT POSITION REQUIREMENTS.

3 (b) (c) The employment must include health insurance coverage for the
4 employee for which the employer pays at least fifty per cent of the premium
5 or membership cost. IF THE TAXPAYER IS SELF-INSURED, THE TAXPAYER MUST PAY
6 AT LEAST FIFTY PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN
7 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED
8 CLAIMS.

9 (c) (d) The employer must pay compensation at least equal to the wage
10 offer by county as computed annually by the department of economic security
11 research administration division.

12 (d) (e) The employee must have been employed for at least ninety days
13 during the first taxable year. An employee who is hired during the last
14 ninety days of the taxable year shall be considered a new employee during the
15 next taxable year. A QUALIFIED EMPLOYMENT POSITION THAT IS FILLED DURING THE
16 LAST NINETY DAYS OF THE TAXABLE YEAR IS CONSIDERED TO BE A NEW QUALIFIED
17 EMPLOYMENT POSITION FOR THE NEXT TAXABLE YEAR.

18 (e) (f) The employee has not been previously employed by the taxpayer
19 within twelve months before the current date of hire.

20 C. A CREDIT IS ALLOWED FOR EMPLOYMENT IN THE SECOND AND THIRD YEAR
21 ONLY FOR QUALIFIED EMPLOYMENT POSITIONS FOR WHICH A CREDIT WAS ALLOWED IN THE
22 FIRST YEAR.

23 ~~C. D. The net increase in the number of qualified employment~~
24 ~~positions shall be determined by comparing the average number of qualified~~
25 ~~employment positions during the taxable year with the immediately preceding~~
26 ~~taxable year according to the report required by section 41-1525 and filed~~
27 ~~by the insurer with the department of commerce~~ IS THE LESSER OF THE TOTAL
28 NUMBER OF FILLED QUALIFIED EMPLOYMENT POSITIONS CREATED IN THE ZONE DURING
29 THE TAX YEAR OR THE DIFFERENCE BETWEEN THE AVERAGE NUMBER OF FULL-TIME
30 EMPLOYEES IN THE ZONE IN THE CURRENT TAX YEAR AND THE AVERAGE NUMBER OF
31 FULL-TIME EMPLOYEES DURING THE IMMEDIATELY PRECEDING TAXABLE YEAR. THE NET
32 INCREASE IN THE NUMBER OF QUALIFIED EMPLOYMENT POSITIONS COMPUTED UNDER THIS
33 SUBSECTION MAY NOT EXCEED TWO HUNDRED QUALIFIED EMPLOYMENT POSITIONS PER
34 TAXPAYER EACH YEAR.

35 E. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 20-224.04 SHALL NOT
36 CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME EMPLOYEES.

37 ~~D. F.~~ Pursuant to subsection A of this section, if the allowable tax
38 credit exceeds the state premium tax liability, the amount of the claim not
39 used as an offset against the state premium tax liability may be carried
40 forward as a tax credit against subsequent years' state premium tax liability
41 for the period, not to exceed five taxable years, provided that the insurer
42 remains in an enterprise zone.

43 G. IF A PERSON PURCHASES AN INSURANCE BUSINESS IN A ZONE OR IF AN
44 INSURANCE BUSINESS IN A ZONE CHANGES OWNERSHIP THROUGH REORGANIZATION, STOCK
45 PURCHASE OR MERGER, THE NEW TAXPAYER MAY CLAIM FIRST YEAR CREDITS ONLY FOR

1 ONE OR MORE QUALIFIED EMPLOYMENT POSITIONS THAT IT CREATED AND FILLED WITH
2 AN ELIGIBLE EMPLOYEE AFTER THE PURCHASE OR REORGANIZATION WAS COMPLETE. IF
3 A PERSON PURCHASES A TAXPAYER THAT HAD QUALIFIED FOR FIRST OR SECOND YEAR
4 CREDITS OR IF AN INSURANCE BUSINESS CHANGES OWNERSHIP THROUGH REORGANIZATION,
5 STOCK PURCHASE OR MERGER, THE NEW TAXPAYER MAY CLAIM THE SECOND OR THIRD YEAR
6 CREDITS IF IT MEETS OTHER ELIGIBILITY REQUIREMENTS OF THIS SECTION. CREDITS
7 FOR WHICH A TAXPAYER QUALIFIED BEFORE THE CHANGES DESCRIBED IN THIS
8 SUBSECTION ARE TERMINATED AND LOST AT THE TIME THE CHANGES ARE IMPLEMENTED.

9 ~~E.~~ H. An insurer that claims a tax credit against state premium tax
10 liability is not required to pay any additional retaliatory tax imposed
11 pursuant to section 20-230 as a result of claiming that tax credit.

12 ~~F.~~ I. A failure to TIMELY report and certify to the department of
13 commerce the information prescribed by section 41-1525, subsection A- B,
14 paragraphs 1, 2 and 3 AND IN THE MANNER PRESCRIBED BY SECTION 41-1525,
15 SUBSECTION C, disqualifies the insurer from the credit under this
16 section. THE DEPARTMENT OF INSURANCE SHALL REQUIRE WRITTEN EVIDENCE OF THE
17 TIMELY REPORT TO THE DEPARTMENT OF COMMERCE.

18 ~~G.~~ J. The termination of an enterprise zone does not affect the
19 credit under this section with respect to:

20 1. Insurers that have employees in the second and third years of
21 employment in qualified employment positions under subsection A, paragraphs
22 2 and 3 of this section if the business remains in the location that was in
23 the enterprise zone.

24 2. Amounts carried forward into subsequent taxable years under
25 subsection ~~D~~- F of this section.

26 ~~H.~~ K. The department may adopt rules necessary for the administration
27 of this section.

28 ~~I.~~ L. For the purposes of this section, "insurer" means any entity
29 that is subject to premium tax liability pursuant to section 20-224, 20-837,
30 20-1010, 20-1060 or 20-1097.07.

31 Sec. 2. Section 20-224.04, Arizona Revised Statutes, is amended to
32 read:

33 20-224.04. Premium tax credit for increased employment in
34 military reuse zones; definitions

35 A. A tax credit is allowed against the premium tax liability incurred
36 by an insurer pursuant to section 20-224, 20-837, 20-1010, 20-1060 or
37 20-1097.07 for net increases in employment positions of residents of this
38 state by an insurer that is located in a military reuse zone established
39 under title 41, chapter 10, article 3. A tax credit is not allowed for the
40 portion of the tax payable to the fire fighters' relief and pension fund
41 pursuant to section 20-224 or the portion of the tax payable to the public
42 safety personnel retirement system pursuant to section 20-224.01. The amount
43 of the tax credit is a dollar amount allowed for each new employee,
44 determined as follows:

1 1. With respect to each employee other than a dislocated military base
2 employee:

3 1st year of employment	\$ 500
4 2nd year of employment	\$1,000
5 3rd year of employment	\$1,500
6 4th year of employment	\$2,000
7 5th year of employment	\$2,500

8 2. With respect to each dislocated military base employee:

9 1st year of employment	\$1,000
10 2nd year of employment	\$1,500
11 3rd year of employment	\$2,000
12 4th year of employment	\$2,500
13 5th year of employment	\$3,000

14 B. Pursuant to subsection A of this section, if the allowable tax
15 credit exceeds the state premium tax liability, the amount of the claim not
16 used as an offset against the state premium tax liability may be carried
17 forward as a tax credit against subsequent years' state premium tax liability
18 for the period, not to exceed five taxable years, if the insurer remains in
19 the military reuse zone.

20 C. The net increase in the number of employees for purposes of this
21 section shall be determined by comparing the insurer's average employment in
22 the military reuse zone during the taxable year with the insurer's previous
23 year's fourth quarter employment in the zone, based on the insurer's report
24 to the department of economic security for unemployment insurance purposes
25 but considering only employment in the zone.

26 D. A credit is not allowed under this section with respect to an
27 employee whose place of employment is relocated by the insurer from a
28 location in this state to the military reuse zone unless the insurer
29 maintains at least the same number of employees in this state but outside the
30 zone.

31 E. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 20-224.03 SHALL NOT
32 CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME EMPLOYEES.

33 F. For the purposes of this section:

34 1. "Dislocated military base employee" means a civilian who previously
35 had permanent full-time civilian employment on the military facility as of
36 the date the closure of the facility was finally determined under federal
37 law, as certified by the department of commerce.

38 2. "Insurer" means any entity that is subject to premium tax liability
39 pursuant to section 20-224, 20-837, 20-1010, 20-1060 or 20-1097.07.

40 Sec. 3. Section 41-1525, Arizona Revised Statutes, is amended to read:
41 41-1525. Tax incentives; definitions

42 A. ~~The owner of a business or an insurer that maintains a sales,~~
43 ~~service or claims office located in an enterprise zone before July 1, 2006~~
44 ~~is eligible for an income tax credit under section 43-1074 or 43-1151 or a~~
45 ~~premium tax credit under section 20-224.03 for net increases in qualified~~

1 employment positions, except employment positions at a business ZONE location
2 where more than ten per cent of the business conducted at the location
3 consists of selling tangible personal property at retail, measured EITHER by
4 the number of employees assigned to retail OR THE SQUARE FOOTAGE OF THE
5 FACILITY USED FOR RETAIL TRANSACTIONS at the location in the zone AND LIMITED
6 SOLELY TO THE FOLLOWING RETAIL ACTIVITY AT THE LOCATION:

7 1. PRODUCTS MANUFACTURED, FABRICATED OR OTHERWISE PRODUCED AT THE
8 LOCATION.

9 2. FOOD AND BEVERAGE FOR CONSUMPTION ON THE PREMISES SOLELY BY
10 EMPLOYEES AND OCCASIONAL GUESTS OF EMPLOYEES AT THE LOCATION.

11 3. PROMOTIONAL PRODUCTS DISPLAYING THE COMPANY LOGO OR TRADEMARK.

12 B. To qualify for a tax credit, the owner must:

13 1. ~~Certify to the department of revenue the amount of compensation~~
14 ~~paid to qualified employees in the enterprise zone, the dates of employment~~
15 ~~and other information as requested.~~

16 2. ~~Certify to the department of commerce:~~

17 (a) ~~That at least thirty-five per cent of the new qualified employees~~
18 ~~are residents of the zone on the date of employment. To satisfy the~~
19 ~~thirty-five per cent residency requirement, all contiguous or noncontiguous~~
20 ~~zones in the county from which employers hire eligible workers shall be~~
21 ~~treated as one zone.~~

22 (b) ~~That not more than ten per cent of the employees at the location~~
23 ~~in the enterprise zone are assigned to selling tangible personal property at~~
24 ~~retail.~~

25 3. ~~Report annually to the department of commerce:~~

26 (a) ~~The business name and mailing address.~~

27 (b) ~~The business location.~~

28 (c) ~~The number of employees for which it received income tax credits~~
29 ~~or premium tax credits.~~

30 (d) ~~The amount of compensation paid to employees qualified for the~~
31 ~~credit.~~

32 (e) ~~That the employer has paid at least fifty per cent of the premium~~
33 ~~or membership cost of health insurance coverage for employees qualified for~~
34 ~~the income tax credit or premium tax credit for increased employment in~~
35 ~~enterprise zones.~~

36 (f) ~~The total amount of income tax credits or premium tax credits~~
37 ~~received for that year.~~

38 (g) ~~Capital investment made in the zone.~~

39 (h) ~~Other information necessary for the management and reporting of~~
40 ~~this program, including information on health insurance coverage for~~
41 ~~qualified employment positions.~~

42 1. CERTIFY TO THE DEPARTMENT OF REVENUE OR THE DEPARTMENT OF
43 INSURANCE, AS APPLICABLE, ON OR BEFORE THE DUE DATE OF THE TAX RETURN,
44 INCLUDING ANY EXTENSIONS FOR THE YEAR FOR WHICH THE CREDIT IS CLAIMED, IN A
45 FORM PRESCRIBED BY THE DEPARTMENT OF REVENUE INCLUDING ELECTRONIC MEDIA,

1 INFORMATION THAT THE DEPARTMENT OF REVENUE MAY REQUIRE, INCLUDING THE
2 OWNERSHIP INTERESTS OF CO-OWNERS OF THE BUSINESS IF THE BUSINESS IS A
3 PARTNERSHIP, LIMITED LIABILITY COMPANY OR AN S CORPORATION, AND THE FOLLOWING
4 INFORMATION FOR EACH EMPLOYEE IN THE ZONE LOCATION:

- 5 (a) THE DATE OF INITIAL EMPLOYMENT.
- 6 (b) THE NUMBER OF HOURS WORKED DURING THE YEAR.
- 7 (c) WHETHER THE POSITION WAS FULL-TIME.
- 8 (d) THE RESIDENCE OF THE EMPLOYEE.
- 9 (e) WHETHER THE RESIDENCE WAS IN OR OUTSIDE THE ZONE.
- 10 (f) IF THE RESIDENCE WAS IN THE ZONE, WHERE IN THE ZONE IT IS LOCATED.
- 11 (g) THE EMPLOYEE'S ANNUAL COMPENSATION.
- 12 (h) THE TOTAL COST OF HEALTH INSURANCE FOR THE EMPLOYEE AND THE COST
13 PAID BY THE EMPLOYER.

14 (i) IF THE EMPLOYEE HAD BEEN PREVIOUSLY EMPLOYED, THE LAST DATE OF
15 PREVIOUS EMPLOYMENT.

16 2. REPORT AND CERTIFY TO THE DEPARTMENT OF COMMERCE THE FOLLOWING
17 INFORMATION, AND PROVIDE SUPPORTING DOCUMENTATION, ON A FORM AND IN A MANNER
18 APPROVED BY THE DEPARTMENT OF COMMERCE AND, AS SPECIFIED IN SUBSECTION C OF
19 THIS SECTION, FOR EACH YEAR IN WHICH THE TAXPAYER EARNED AND CLAIMED OR USED
20 CREDITS OR IS CARRYING FORWARD AMOUNTS FROM PREVIOUSLY EARNED AND CLAIMED
21 CREDITS:

22 (a) THE BUSINESS NAME AND MAILING ADDRESS AND ANY OTHER CONTACT
23 INFORMATION REQUESTED BY THE DEPARTMENT OF COMMERCE.

24 (b) THE BUSINESS LOCATION AND THE NAME OF THE ZONE IN WHICH THE
25 BUSINESS IS LOCATED.

26 (c) THE AVERAGE HOURLY WAGE AND THE TOTAL AMOUNT OF COMPENSATION PAID
27 TO EMPLOYEES QUALIFIED FOR THE CREDIT AND FOR ALL EMPLOYEES AT THE ZONE
28 LOCATION.

29 (d) THE TOTAL NUMBER OF QUALIFIED EMPLOYMENT POSITIONS AND THE AMOUNT
30 OF INCOME TAX OR PREMIUM TAX CREDITS QUALIFIED FOR IN THE TAX YEAR.

31 (e) THE ESTIMATED AMOUNT OF TAX CREDITS TO BE USED IN THE TAX YEAR TO
32 OFFSET TAX LIABILITY.

33 (f) THE ESTIMATED AMOUNT OF TAX CREDITS TO BE AVAILABLE FOR CARRY
34 FORWARD IN THE TAX YEAR AND THE TAX YEAR IN WHICH THE CREDITS EXPIRE.

35 (g) THE NUMBER OF JOBS AND THE AMOUNT OF CREDITS EARNED AND CLAIMED
36 ON THE PRIOR YEAR'S INCOME TAX OR INSURANCE PREMIUM TAX RETURNS.

37 (h) THE AMOUNT OF CREDITS USED TO OFFSET TAX LIABILITIES ON THE PRIOR
38 YEAR'S INCOME TAX OR INSURANCE PREMIUM TAX RETURN.

39 (i) THE AMOUNT OF CREDITS AVAILABLE FOR CARRY FORWARD AS REPORTED ON
40 THE PRIOR YEAR'S TAX RETURN AND THE TAX YEAR THE CREDITS EXPIRE.

41 (j) CAPITAL INVESTMENT MADE IN THE ZONE DURING THE TAX YEAR AND THE
42 PRECEDING TAX YEAR.

43 (k) THAT EACH QUALIFIED EMPLOYMENT POSITION MEETS ALL OF THE FOLLOWING
44 REQUIREMENTS:

1 (i) THE POSITION IS AT LEAST ONE THOUSAND SEVEN HUNDRED FIFTY HOURS
2 PER YEAR OF FULL-TIME PERMANENT EMPLOYMENT.

3 (ii) ALL CREDITS THAT ARE BEING CLAIMED ARE FOR WAGES FOR JOB DUTIES
4 PERFORMED AT THE ZONE LOCATIONS OF THE BUSINESS.

5 (iii) THE EMPLOYMENT INCLUDES HEALTH INSURANCE COVERAGE FOR THE
6 EMPLOYEE FOR WHICH THE EMPLOYER PAYS AT LEAST FIFTY PER CENT OF THE PREMIUM
7 OR MEMBERSHIP COST. IF THE TAXPAYER IS SELF-INSURED, THE EMPLOYER PAYS AT
8 LEAST FIFTY PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN
9 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED
10 CLAIMS.

11 (iv) THE EMPLOYER PAYS COMPENSATION AT LEAST EQUAL TO THE WAGE OFFER
12 BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY
13 RESEARCH ADMINISTRATION DIVISION.

14 (1) THAT THE ONLY RETAIL ACTIVITIES ENGAGED IN AT THE ZONE LOCATION
15 WERE AS SPECIFIED IN SUBSECTION A OF THIS SECTION.

16 (m) OTHER INFORMATION NECESSARY FOR THE MANAGEMENT AND REPORTING OF
17 THE INCENTIVES UNDER THIS SECTION.

18 3. FOR ANY YEAR IN WHICH THE TAXPAYER IS CLAIMING FIRST YEAR CREDITS,
19 REPORT AND CERTIFY THE FOLLOWING ADDITIONAL INFORMATION AND PROVIDE
20 SUPPORTING DOCUMENTATION TO THE DEPARTMENT OF COMMERCE ON A FORM AND IN A
21 MANNER APPROVED BY THE DEPARTMENT, AND AS SPECIFIED IN SUBSECTION C OF THIS
22 SECTION:

23 (a) THAT THIRTY-FIVE PER CENT OF THE EMPLOYEES WITH RESPECT TO WHOM
24 A CREDIT IS CLAIMED FOR THE FIRST YEAR OF EMPLOYMENT RESIDED ON THE DATE OF
25 EMPLOYMENT IN AN ENTERPRISE ZONE THAT IS LOCATED IN THE SAME COUNTY IN WHICH
26 THE BUSINESS IS LOCATED.

27 (b) THAT THE INCREASE IN THE NUMBER OF QUALIFIED EMPLOYMENT POSITIONS
28 FOR WHICH CREDIT IS SOUGHT IS THE LEAST OF:

29 (i) THE TOTAL NUMBER OF FILLED QUALIFIED EMPLOYMENT POSITIONS CREATED
30 AT THE ZONE LOCATION DURING THE TAX YEAR.

31 (ii) THE DIFFERENCE BETWEEN THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES
32 AT A ZONE LOCATION IN THE CURRENT TAX YEAR AND THE AVERAGE NUMBER OF
33 FULL-TIME EMPLOYEES DURING THE IMMEDIATELY PRECEDING TAX YEAR.

34 (iii) TWO HUNDRED QUALIFIED EMPLOYMENT POSITIONS PER TAXPAYER EACH
35 YEAR.

36 (c) ALL EMPLOYEES FILLING A QUALIFIED EMPLOYMENT POSITION WERE
37 EMPLOYED FOR AT LEAST NINETY DAYS DURING THE FIRST TAXABLE YEAR.

38 (d) NONE OF THE EMPLOYEES FILLING QUALIFIED EMPLOYMENT POSITIONS WERE
39 EMPLOYED BY THE TAXPAYER DURING THE TWELVE MONTHS BEFORE THE CURRENT DATE OF
40 HIRE.

41 (e) ALL EMPLOYEES FOR WHOM SECOND AND THIRD YEAR CREDITS ARE CLAIMED
42 ARE IN QUALIFIED EMPLOYMENT POSITIONS FOR WHICH FIRST YEAR CREDITS WERE
43 ALLOWED AND CLAIMED BY THE TAXPAYER ON THE ORIGINAL FIRST AND SECOND YEAR TAX
44 RETURNS

1 (f) ALL EMPLOYEES FOR WHOM CREDITS ARE TAKEN PERFORMED THEIR JOB
2 DUTIES PRIMARILY AT THE ZONE LOCATIONS OF THE BUSINESS.

3 C. TO QUALIFY FOR FIRST YEAR CREDITS, THE REPORT AND CERTIFICATION
4 PRESCRIBED BY SUBSECTION B, PARAGRAPHS 2 AND 3 OF THIS SECTION MUST BE FILED
5 WITH THE DEPARTMENT OF COMMERCE BY THE EARLIER OF SIX MONTHS AFTER THE END
6 OF THE TAX YEAR IN WHICH THE QUALIFIED EMPLOYMENT POSITIONS WERE CREATED OR
7 BY THE DATE THE TAX RETURN IS FILED FOR THE TAX YEAR IN WHICH THE QUALIFIED
8 EMPLOYMENT POSITIONS WERE CREATED. TO QUALIFY FOR SECOND YEAR CREDITS, THE
9 REPORT AND CERTIFICATION PRESCRIBED BY SUBSECTION B, PARAGRAPH 2 OF THIS
10 SECTION MUST BE FILED WITH THE DEPARTMENT OF COMMERCE BY THE EARLIER OF SIX
11 MONTHS AFTER THE END OF THE TAXABLE YEAR OR THE DATE THE TAX RETURN IS FILED
12 FOR THE TAX YEAR IN WHICH THE SECOND YEAR CREDITS ARE ALLOWABLE. TO QUALIFY
13 FOR THIRD YEAR CREDITS, THE REPORT AND CERTIFICATION PRESCRIBED BY SUBSECTION
14 B, PARAGRAPH 2 OF THIS SECTION MUST BE FILED WITH THE DEPARTMENT OF COMMERCE
15 BY THE EARLIER OF SIX MONTHS AFTER THE END OF THE TAX YEAR OR THE DATE THE
16 TAX RETURN IS FILED FOR THE TAX YEAR IN WHICH THE THIRD YEAR CREDITS ARE
17 ALLOWABLE.

18 D. ANY INFORMATION SUBMITTED TO THE DEPARTMENT OF COMMERCE UNDER
19 SUBSECTION B, PARAGRAPH 2, SUBDIVISIONS (e) THROUGH (i) OF THIS SECTION IS
20 EXEMPT FROM THE PROVISIONS OF TITLE 39, CHAPTER 1, ARTICLE 2 AND CONSIDERED
21 TO BE CONFIDENTIAL AND IS NOT SUBJECT TO DISCLOSURE EXCEPT:

22 1. TO THE EXTENT THAT THE PERSON OR ORGANIZATION THAT PROVIDED THE
23 INFORMATION CONSENTS TO THE DISCLOSURE.

24 2. TO THE DEPARTMENT OF REVENUE FOR USE IN TAX ADMINISTRATION.

25 ~~B.~~ E. Real and personal property within an enterprise zone which is
26 owned or used by a small manufacturing business that is certified by the
27 department pursuant to section 41-1525.01 before July 1, 2006 shall be
28 assessed as class six property as provided by section 42-12006.

29 ~~C.~~ F. Documents filed with the department of commerce, THE DEPARTMENT
30 OF INSURANCE and the department of revenue under subsection A- B of this
31 section shall contain either a sworn statement or certification, SIGNED BY
32 AN OFFICER OF THE COMPANY under penalty of perjury, that the information
33 contained is true and correct according to the best belief and knowledge of
34 the person submitting the information AFTER A REASONABLE INVESTIGATION OF THE
35 FACTS. If the document contains information that is materially false, the
36 taxpayer is ineligible for the tax incentives under subsection A of this
37 section and is subject to recovery of the amount of tax incentives allowed
38 in preceding taxable years based on the false information, PLUS PENALTIES AND
39 INTEREST.

40 G. THE DEPARTMENT OF COMMERCE MAY MAKE SITE VISITS TO A TAXPAYER'S
41 FACILITIES IF IT IS NECESSARY TO FURTHER DOCUMENT OR CLARIFY REPORTED
42 INFORMATION. THE TAXPAYER MUST FREELY PROVIDE THE ACCESS.

43 H. THE DEPARTMENT BY RULE MAY PRESCRIBE ADDITIONAL REPORTING
44 REQUIREMENTS FOR TAXPAYERS WHO CLAIM TAX BENEFITS PURSUANT TO THIS SECTION.

45 I. FOR THE PURPOSES OF THIS SECTION:

1 1. "ASSIGNED TO RETAIL" MEANS WORKING MORE THAN TWENTY-FIVE PER CENT
2 OF AN EMPLOYEE'S TIME IN ONE OR MORE RETAIL ACTIVITIES.

3 2. "RETAIL" MEANS THE SALE OF TANGIBLE PERSONAL PROPERTY TO AN
4 ULTIMATE CONSUMER.

5 3. "RETAIL ACTIVITIES" MEANS ALL ACTIVITIES PERSONS OPERATING A RETAIL
6 BUSINESS NORMALLY ENGAGE IN, INCLUDING TAKING ORDERS, FILLING ORDERS, BILLING
7 ORDERS, RECEIVING AND PROCESSING PAYMENT AND SHIPPING, STOCKING AND
8 DELIVERING TANGIBLE PERSONAL PROPERTY TO THE ULTIMATE CONSUMER, EXCEPT DROP
9 SHIPMENTS BY A COMPANY ACTING ON BEHALF OF AN UNRELATED COMPANY THAT HAS MADE
10 A SALE TO A FINAL CONSUMER.

11 4. "ZONE LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF
12 OWNED OR LEASED LAND, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON THE
13 LAND OR ANY PART OF THE STRUCTURES OCCUPIED BY A TAXPAYER.

14 Sec. 4. Section 41-1525.01, Arizona Revised Statutes, is amended to
15 read:

16 41-1525.01. Certification of small manufacturing businesses;
17 definitions

18 A. Through June 30, 2006, the department of commerce shall ANNUALLY
19 certify small manufacturing businesses that qualify for property tax
20 incentives under section 41-1525, subsection ~~B~~ E. To qualify under this
21 section:

22 1. A small manufacturing business must meet the minimum investment
23 requirements prescribed by this paragraph. The investments may be
24 cumulative. A SMALL MANUFACTURING BUSINESS SHALL NOT INCLUDE FIXED ASSETS
25 PURCHASED FROM AN ENTERPRISE ZONE MANUFACTURING COMPANY ALREADY CERTIFIED
26 UNDER THIS SECTION. SUBJECT TO SUBSECTION E OF THIS SECTION, certification
27 is effective on January 1 of the VALUATION year, AS DEFINED IN SECTION
28 42-11001, following completion of the required investment. To qualify, the
29 small manufacturing business must invest at least the following amount, as
30 applicable, in fixed assets in the zone after December 31, 1995:

31 (a) In counties with a population of two hundred fifty thousand
32 persons or more, two million dollars, except as provided in subdivision (b)
33 OF THIS PARAGRAPH.

34 (b) In all other counties, and for cities and towns located in
35 counties with a population of two hundred fifty thousand persons or more and
36 that have no portion of the corporate boundaries located within twenty-five
37 air miles from the exterior corporate boundary of the largest city in the
38 county:

39 (i) Cities with a population of eighty thousand persons or more, two
40 million dollars.

41 (ii) Cities and towns with a population of at least ten thousand but
42 less than eighty thousand persons and in unincorporated areas of the county,
43 one million dollars.

44 (iii) Cities and towns with a population of less than ten thousand
45 persons, five hundred thousand dollars.

1 2. ~~A certified small manufacturing business must report annually~~ A
2 BUSINESS INITIALLY APPLYING FOR CERTIFICATION UNDER THIS SECTION MUST REPORT
3 THE FOLLOWING WITH SUPPORTING DOCUMENTATION to the department of commerce ON
4 A FORM AND IN A MANNER PRESCRIBED BY THE DEPARTMENT:

5 (a) Business name and mailing address AND ANY OTHER CONTACT
6 INFORMATION REQUESTED BY THE DEPARTMENT.

7 (b) Business location AND THE ENTERPRISE ZONE IN WHICH THE BUSINESS
8 IS LOCATED.

9 (c) THE number of FULL-TIME employees AT THE TIME OF APPLICATION AND
10 THE BENEFITS PROVIDED TO EMPLOYEES.

11 (d) THE ASSESSOR'S PARCEL NUMBER OF REAL PROPERTY TO WHICH CLASS SIX
12 ASSESSMENT CLASSIFICATION WILL APPLY.

13 (e) IF AVAILABLE, THE ASSESSOR'S ACCOUNT NUMBER FOR PERSONAL PROPERTY
14 TO WHICH CLASS SIX ASSESSMENT CLASSIFICATION WILL APPLY.

15 (f) FOR THE ZONE LOCATION, THE GROSS RECEIPTS, GROSS PAYROLL AND
16 AVERAGE HOURLY WAGE PAID TO EMPLOYEES FOR THE PRECEDING TAXABLE YEAR.

17 (g) A STATEMENT OF THE OWNERSHIP AND DESCRIPTION OF OPERATIONS OF THE
18 ZONE BUSINESS.

19 (h) DOCUMENTATION OF THE REQUIRED INVESTMENT IN FIXED ASSETS THAT
20 IDENTIFIES THE FIXED ASSETS AND ESTABLISHES THE COST OF THE FIXED ASSETS AND
21 THE TIME OF INVESTMENT.

22 (i) DOCUMENTATION THAT ESTABLISHES THE TYPE AND AMOUNT OF
23 MANUFACTURING ACTIVITY CONDUCTED AT THE ZONE LOCATION.

24 (d) (j) OWNERSHIP AND FULL CASH value of REAL AND PERSONAL property
25 TO BE certified.

26 (e) (k) Other information necessary for the management and reporting
27 of this program AS DETERMINED BY THE DEPARTMENT.

28 B. The department shall not certify any business for qualification for
29 property tax incentives after June 30, 2006. However, certification under
30 this section is valid for five years SUBJECT TO ANNUAL RECERTIFICATION
31 regardless of whether under changing circumstances the business grows beyond
32 ~~the limits of a small business~~ NINETY-NINE FULL-TIME EMPLOYEES AT THE ZONE
33 LOCATION OR GROSS ANNUAL RECEIPTS OF MORE THAN FOUR MILLION DOLLARS and
34 regardless of whether the enterprise zone continues in existence IF IT
35 CONTINUES TO MEET THE OTHER ELIGIBILITY REQUIREMENTS.

36 C. IN ORDER TO BE ANNUALLY RECERTIFIED PURSUANT TO SUBSECTION B OF
37 THIS SECTION, A SMALL MANUFACTURING BUSINESS MUST CONTINUE TO MEET ALL THE
38 ELIGIBILITY REQUIREMENTS OF THIS SECTION AND MUST ANNUALLY REPORT THE
39 FOLLOWING AND PROVIDE SUPPORTING DOCUMENTATION TO THE DEPARTMENT OF COMMERCE
40 ON A FORM AND IN A MANNER APPROVED BY THE DEPARTMENT:

41 1. INFORMATION REQUIRED BY SUBSECTION A, PARAGRAPH 2, SUBDIVISIONS
42 (a), (b), (d), (e), (f), (i), (j) AND (k) OF THIS SECTION.

43 2. CHANGES IN LOCATION, OWNERSHIP AND OPERATIONS OF THE BUSINESS IN
44 THE IMMEDIATELY PRECEDING YEAR.

1 3. THE AVERAGE NUMBER OF FULL-TIME EMPLOYEES AT THE ZONE LOCATION FOR
2 THE IMMEDIATELY PRECEDING YEAR.

3 D. TO QUALIFY FOR CLASSIFICATION AS CLASS SIX PROPERTY FOR TAX
4 PURPOSES, THE DEPARTMENT'S INITIAL CERTIFICATION, AND EACH ANNUAL
5 RECERTIFICATION, WITH A WRITTEN REQUEST TO RECLASSIFY THE PROPERTY MUST BE
6 SUBMITTED TO THE COUNTY ASSESSOR OF THE COUNTY IN WHICH THE PROPERTY IS
7 LOCATED BY DECEMBER 10 EACH YEAR.

8 E. A MANUFACTURER SHALL SUBMIT ITS APPLICATION FOR INITIAL
9 CERTIFICATION OR ANNUAL RECERTIFICATION TO THE DEPARTMENT NOT LATER THAN
10 OCTOBER 1 OF EACH YEAR. THE DEPARTMENT SHALL NOTIFY THE APPROPRIATE COUNTY
11 ASSESSORS OF ALL QUALIFIED ENTERPRISE ZONE PROPERTIES LOCATED WITHIN THEIR
12 COUNTY NOT LATER THAN DECEMBER 1 OF EACH YEAR.

13 F. IF A MANUFACTURER MOVES FROM THE ORIGINALLY CERTIFIED LOCATION, IT
14 LOSES ITS ELIGIBILITY. THE MANUFACTURER MAY APPLY FOR CERTIFICATION AT A NEW
15 ZONE LOCATION FOR THE REMAINDER OF ITS FIVE YEARS IF IT MEETS THE MINIMUM
16 INVESTMENT REQUIREMENTS IN FIXED ASSETS THAT WERE NOT MOVED FROM THE PRIOR
17 ZONE LOCATION, MEETS ALL OTHER ELIGIBILITY REQUIREMENTS OF THIS SECTION AND
18 HAS NOT REACHED THE FIVE YEAR ELIGIBILITY LIMIT.

19 G. ONCE A MANUFACTURER ESTABLISHES THE BASIS FOR ELIGIBILITY AND THE
20 DEPARTMENT CERTIFIES THE MANUFACTURER, THE BUSINESS MAY CHANGE ITS BASIS OF
21 ELIGIBILITY DURING THE FOUR REMAINING YEARS OF POTENTIAL ELIGIBILITY AS LONG
22 AS THE MANUFACTURER MEETS THE REQUIREMENTS FOR THE NEW BASIS OF ELIGIBILITY.

23 H. IF A CERTIFIED MANUFACTURING BUSINESS IS PURCHASED BY ANOTHER
24 ENTITY OR CHANGES OWNERSHIP THROUGH REORGANIZATION, STOCK PURCHASE OR MERGER,
25 THE CERTIFICATION IS TERMINATED. THE NEW MANUFACTURER MAY APPLY FOR
26 CERTIFICATION ACCORDING TO ELIGIBILITY REQUIREMENTS OF THIS SECTION.

27 I. A SMALL BUSINESS THAT WAS ORIGINALLY CERTIFIED FOR A TEN YEAR
28 PERIOD OF PROPERTY RECLASSIFICATION LOSES ELIGIBILITY FOR ANY YEAR IN WHICH
29 THE SIZE LIMITS ARE EXCEEDED OR THE BUSINESS IS NO LONGER INDEPENDENTLY OWNED
30 AND OPERATED.

31 ~~C.~~ J. The department of commerce shall notify the department of
32 revenue and the county assessor if a certified small manufacturing business
33 closes, or moves from the enterprise zone OR FAILS TO MAINTAIN ITS
34 ELIGIBILITY, and the assessor shall make the appropriate changes to the tax
35 roll.

36 K. THE DEPARTMENT OF COMMERCE MAY MAKE SITE VISITS TO A TAXPAYER'S
37 FACILITIES IF IT IS NECESSARY TO FURTHER DOCUMENT OR CLARIFY REPORTED
38 INFORMATION. THE TAXPAYER MUST FREELY PROVIDE THE ACCESS.

39 L. DOCUMENTS FILED WITH THE DEPARTMENT OF COMMERCE PURSUANT TO THIS
40 SECTION SHALL CONTAIN EITHER A SWORN STATEMENT OR CERTIFICATION, SIGNED BY
41 AN OFFICER OF THE COMPANY UNDER PENALTY OF PERJURY, THAT THE INFORMATION
42 CONTAINED IS TRUE AND CORRECT ACCORDING TO THE BEST BELIEF AND KNOWLEDGE OF
43 THE PERSON SUBMITTING THE INFORMATION AFTER A REASONABLE INVESTIGATION OF THE
44 FACTS. IF THE DOCUMENT CONTAINS INFORMATION THAT IS MATERIALLY FALSE, THE
45 TAXPAYER IS INELIGIBLE FOR THE TAX BENEFITS UNDER THIS SECTION AND IS SUBJECT

1 TO RECOVERY OF THE AMOUNT OF TAX BENEFITS ALLOWED IN PRECEDING YEARS BASED
2 ON THE FALSE INFORMATION, INCLUDING PENALTIES AND INTEREST.

3 M. THE DEPARTMENT BY RULE MAY PRESCRIBE ADDITIONAL REPORTING
4 REQUIREMENTS FOR PERSONS WHO CLAIM A TAX BENEFIT PURSUANT TO THIS SECTION.

5 ~~Ø.~~ N. For THE purposes of this section:

6 1. "FIXED ASSETS" MEANS PROPERTY THAT IS USED IN OPERATING A BUSINESS,
7 SUCH AS FURNITURE, LAND, BUILDINGS AND MACHINERY, AND THAT IS NOT ORDINARILY
8 CONVERTED INTO CASH AFTER THEY ARE DECLARED FIXED ASSETS.

9 ~~1.~~ 2. "Manufacturing" means fabricating, producing or manufacturing
10 products, wares or articles for use from raw or prepared materials and
11 imparting to those materials new forms, qualities, properties and
12 combinations. MANUFACTURING DOES NOT INCLUDE GENERATING ELECTRICITY AT A
13 FACILITY ASSESSED PURSUANT TO TITLE 42, CHAPTER 14, ARTICLE 4.

14 ~~2.~~ 3. "Minority owned business" means ~~a~~ AN INDEPENDENTLY OWNED AND
15 OPERATED business of which a majority of the business is owned by African
16 Americans, persons of Hispanic or Latin American ancestry and persons of
17 Native American, Asian or other minority origin or descent.

18 ~~3.~~ 4. "Small business" means a minority owned business, a woman owned
19 business, or a concern, including its affiliates, that is independently
20 owned and operated, and employs less than one hundred full-time employees
21 at the location in the enterprise zone WHEN CERTIFIED BY THE DEPARTMENT OF
22 COMMERCE or had gross annual receipts of less than four million dollars in
23 its last fiscal year.

24 ~~4.~~ 5. "Woman owned business" means ~~a~~ AN INDEPENDENTLY OWNED AND
25 OPERATED business of which a majority of the business is owned by one or more
26 women.

27 6. "ZONE LOCATION" HAS THE SAME MEANING PRESCRIBED IN SECTION 41-1525.

28 Sec. 5. Section 41-1531, Arizona Revised Statutes, is amended to read:
29 41-1531. Designating military reuse zone; term; renewal

30 A. After executing a lease with a term of fifteen years or longer for
31 the use or occupancy of real property or improvements that are located on a
32 closed military facility with a runway that is at least eight thousand feet
33 long AT CLOSING or after title to any part of a closed military facility with
34 a runway that is at least eight thousand feet long AT CLOSING is transferred
35 to this state or to another public or private entity, the governor, after
36 consulting with the director of the department of commerce, may designate the
37 property as a military reuse zone. Only properties that were used for
38 operational and training purposes of the active uniformed services of the
39 United States qualify for consideration as a military reuse zone.

40 B. The governor shall set a termination date for the military reuse
41 zone that is not more than five years after the date the zone is
42 designated. During the last year before termination the governor may renew
43 the military reuse zone for one term of five years. Thereafter, the
44 legislature and the governor by joint resolution may renew the military reuse
45 zone for additional five year terms.

1 Sec. 6. Section 42-12006, Arizona Revised Statutes, is amended to
2 read:

3 42-12006. Class six property

4 For purposes of taxation, class six is established consisting of:

5 1. Noncommercial historic property as defined in section 42-12101 and
6 valued at full cash value.

7 2. Real and personal property that is located within the area of a
8 foreign trade zone or subzone established under 19 United States Code section
9 81 and title 44, chapter 18, that is activated for foreign trade zone use by
10 the district director of the United States customs service pursuant to 19
11 Code of Federal Regulations section 146.6 and that is valued at full cash
12 value.

13 3. Real and personal property and improvements that are located in a
14 military reuse zone that is established under title 41, chapter 10, article
15 3 and that is devoted to providing aviation or aerospace services or to
16 manufacturing, assembling or fabricating aviation or aerospace products,
17 valued at full cash value and subject to the following terms and conditions:

18 (a) Property may not be classified under this paragraph for more than
19 five tax years.

20 (b) Any new addition or improvement to property already classified
21 under this paragraph qualifies separately for classification under this
22 paragraph for not more than five tax years.

23 (c) If a military reuse zone is terminated, the property in that zone
24 that was previously classified under this paragraph shall be reclassified as
25 prescribed by this article.

26 (d) PROPERTY THAT IS CLASSIFIED UNDER THIS PARAGRAPH SHALL NOT
27 THEREAFTER BE CLASSIFIED UNDER PARAGRAPH 4 OF THIS SECTION, NOTWITHSTANDING
28 ITS LOCATION IN AN ENTERPRISE ZONE.

29 4. Real and personal property and improvements that are located in an
30 enterprise zone, that are owned or used by a small manufacturing business
31 that is certified by the department of commerce pursuant to section
32 41-1525.01 and that are valued at full cash value, SUBJECT TO THE FOLLOWING
33 TERMS AND CONDITIONS: —

34 (a) Property may not be classified under this paragraph for more than
35 five tax years. ~~This paragraph applies only to classification of property~~
36 ~~for primary property tax purposes unless this limitation is finally~~
37 ~~adjudicated to be invalid, in which case this paragraph applies to~~
38 ~~classification of property for both primary and secondary property tax~~
39 ~~purposes.~~

40 (b) PROPERTY THAT IS CLASSIFIED UNDER THIS PARAGRAPH SHALL NOT
41 THEREAFTER BE CLASSIFIED UNDER PARAGRAPH 3 OF THIS SECTION, NOTWITHSTANDING
42 ITS LOCATION IN A MILITARY REUSE ZONE.

43 5. Real and personal property and improvements or a portion of such
44 property comprising a qualified environmental technology manufacturing,

1 producing or processing facility as described in section 41-1514.02, valued
2 at full cash value and subject to the following terms and conditions:

3 (a) Property shall be classified under this paragraph for twenty tax
4 years from the date placed in service.

5 (b) Any addition or improvement to property already classified under
6 this paragraph qualifies separately for classification under this subdivision
7 for an additional twenty tax years from the date placed in service.

8 (c) After revocation of certification under section 41-1514.02,
9 property that was previously classified under this paragraph shall be
10 reclassified as prescribed by this article.

11 6. That portion of real and personal property that is used on or after
12 January 1, 1999 specifically and solely for remediation of the environment
13 by an action that has been determined to be reasonable and necessary to
14 respond to the release or threatened release of a hazardous substance by the
15 department of environmental quality pursuant to section 49-282.06 or pursuant
16 to its corrective action authority under rules adopted pursuant to section
17 49-922, subsection B, paragraph 4 or by the United States environmental
18 protection agency pursuant to the national contingency plan (40 Code of
19 Federal Regulations part 300) and that is valued at full cash
20 value. Property that is not being used specifically and solely for the
21 remediation objectives described in this paragraph shall not be classified
22 under this paragraph. For purposes of this paragraph, "remediation of the
23 environment" means one or more of the following actions:

24 (a) Monitoring, assessing or evaluating the release or threatened
25 release.

26 (b) Excavating, removing, transporting, treating and disposing of
27 contaminated soil.

28 (c) Pumping and treating contaminated water.

29 (d) Treatment, containment or removal of contaminants in groundwater
30 or soil.

31 Sec. 7. Section 42-15006, Arizona Revised Statutes, is amended to
32 read:

33 42-15006. Assessed valuation of class six property

34 The assessed valuation of class six property described in section
35 42-12006 is ~~five per cent of its full cash value or limited valuation, as~~
36 ~~applicable.~~ BASED ON THE FOLLOWING PERCENTAGES TO THE FULL CASH VALUE OR
37 LIMITED VALUATION OF CLASS SIX PROPERTY, AS APPLICABLE:

38 1. PROPERTY DESCRIBED IN SECTION 41-12006, PARAGRAPHS 1, 2, 3, 5 AND
39 6, FIVE PER CENT.

40 2. PROPERTY DESCRIBED IN SECTION 42-12006, PARAGRAPH 4:

41 (a) FOR PRIMARY PROPERTY TAX PURPOSES, FIVE PER CENT.

42 (b) EXCEPT AS PROVIDED IN SUBDIVISION (c), FOR SECONDARY PROPERTY TAX
43 PURPOSES, TWENTY-FIVE PER CENT.

44 (c) IF SUBDIVISION (b) IS FINALLY ADJUDICATED TO BE INVALID, FOR
45 SECONDARY PROPERTY TAX PURPOSES, FIVE PER CENT.

1 Sec. 8. Section 43-1074, Arizona Revised Statutes, is amended to read:
2 43-1074. Credit for increased employment in enterprise zones;
3 definitions

4 A. A credit is allowed against the taxes imposed by this title for net
5 increases in qualified employment positions of residents of this state by a
6 business located in an enterprise zone established under title 41, chapter
7 10, article 2, except employment positions at a business ZONE location where
8 more than ten per cent of the business conducted at the location consists of
9 selling tangible personal property at retail, measured by EITHER the number
10 of employees assigned to retail OR THE SQUARE FOOTAGE OF THE FACILITY USED
11 FOR RETAIL TRANSACTIONS at the location in the zone AND LIMITED SOLELY TO THE
12 FOLLOWING RETAIL ACTIVITY AT THE LOCATION:

13 1. PRODUCTS MANUFACTURED, FABRICATED OR OTHERWISE PRODUCED AT THE
14 LOCATION.

15 2. FOOD AND BEVERAGE FOR CONSUMPTION ON THE PREMISES SOLELY BY
16 EMPLOYEES AND OCCASIONAL GUESTS OF EMPLOYEES AT THE LOCATION.

17 3. PROMOTIONAL PRODUCTS DISPLAYING THE COMPANY LOGO OR TRADEMARK.

18 B. SUBJECT TO SUBSECTION E OF THIS SECTION, the amount of the credit
19 is equal to:

20 1. One-fourth of the taxable wages paid to an employee in a qualified
21 employment position, not to exceed five hundred dollars, in the first year
22 or partial year of employment.

23 2. One-third of the taxable wages paid to an employee in a qualified
24 employment position, not to exceed one thousand dollars per qualified
25 employment position, in the second year of continuous employment.

26 3. One-half of the taxable wages paid to an employee in a qualified
27 employment position, not to exceed one thousand five hundred dollars per
28 qualified employment position, in the third year of continuous employment.

29 ~~B.~~ C. To qualify for a credit under this section:

30 1. All of the employees with respect to whom a credit is claimed must
31 reside in this state.

32 2. Thirty-five per cent of the employees with respect to whom a credit
33 is claimed for the first year of employment must reside on the date of
34 employment in an enterprise zone that is located in the same county in which
35 the business is located. IF AN EMPLOYEE FOR WHOM A CREDIT WAS ALLOWED IN THE
36 FIRST YEAR OF EMPLOYMENT LEAVES EMPLOYMENT DURING THE SECOND OR THIRD YEAR,
37 THE TAXPAYER MAY SUBSTITUTE ANOTHER EMPLOYEE WHO MEETS THE REQUIREMENTS OF
38 PARAGRAPH 3 OF THIS SUBSECTION AND WHO WAS HIRED DURING THE SAME YEAR AS THE
39 ORIGINAL EMPLOYEE. IF THE ORIGINAL EMPLOYEE WAS COUNTED TOWARD THE RESIDENCY
40 REQUIREMENT UNDER THIS PARAGRAPH, THE SUBSTITUTE EMPLOYEE MUST ALSO HAVE
41 RESIDED IN A ZONE AT THE TIME THE SUBSTITUTE WAS HIRED.

42 3. A qualified employment position must meet all of the following
43 requirements:

44 (a) The position must be a minimum of one thousand seven hundred fifty
45 hours per year of full-time AND PERMANENT employment.

1 (b) THE JOB DUTIES MUST BE PERFORMED PRIMARILY AT THE ZONE LOCATIONS
2 OF THE BUSINESS. IF AN ELIGIBLE EMPLOYEE IN A QUALIFIED EMPLOYMENT POSITION
3 IS TRANSFERRED OR ASSIGNED TO WORK IN THE TAXPAYER'S WORKPLACE AT A DIFFERENT
4 LOCATION THAT IS ALSO LOCATED IN AN ENTERPRISE ZONE AND QUALIFIES AS A ZONE
5 LOCATION, IT MAY BE CONSIDERED TO BE CONTINUOUS EMPLOYMENT IF IT CONTINUES
6 TO MEET ALL QUALIFIED EMPLOYMENT POSITION REQUIREMENTS.

7 (b) (c) The employment must include health insurance coverage for the
8 employee for which the employer pays at least fifty per cent of the premium
9 or membership cost. IF THE TAXPAYER IS SELF-INSURED, THE TAXPAYER MUST PAY
10 AT LEAST FIFTY PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN
11 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED
12 CLAIMS.

13 (c) (d) The employer must pay compensation at least equal to the wage
14 offer by county as computed annually by the department of economic security
15 research administration division.

16 (d) (e) The employee must have been employed for at least ninety days
17 during the first taxable year. An employee who is hired during the last
18 ninety days of the taxable year shall be considered a new employee during the
19 next taxable year. A QUALIFIED EMPLOYMENT POSITION THAT IS FILLED DURING THE
20 LAST NINETY DAYS OF THE TAXABLE YEAR IS CONSIDERED TO BE A NEW QUALIFIED
21 EMPLOYMENT POSITION FOR THE NEXT TAXABLE YEAR.

22 (e) (f) The employee has not been previously employed by the taxpayer
23 within twelve months before the current date of hire.

24 D. A CREDIT IS ALLOWED FOR EMPLOYMENT IN THE SECOND AND THIRD YEAR
25 ONLY FOR QUALIFIED EMPLOYMENT POSITIONS FOR WHICH A CREDIT WAS ALLOWED AND
26 CLAIMED BY THE TAXPAYER ON THE ORIGINAL FIRST AND SECOND YEAR TAX RETURNS.

27 E. ~~The net increase in the number of qualified employment~~
28 ~~positions shall be determined by comparing the average number of qualified~~
29 ~~employment positions during the taxable year with the full-time employment~~
30 ~~during the immediately preceding taxable year according to the report~~
31 ~~required by section 41-1525 and filed with the department of commerce IS THE~~
32 ~~LESSER OF THE TOTAL NUMBER OF FILLED QUALIFIED EMPLOYMENT POSITIONS CREATED~~
33 ~~IN THE ZONE DURING THE TAX YEAR OR THE DIFFERENCE BETWEEN THE AVERAGE NUMBER~~
34 ~~OF FULL-TIME EMPLOYEES IN THE ZONE IN THE CURRENT TAX YEAR AND THE AVERAGE~~
35 ~~NUMBER OF FULL-TIME EMPLOYEES DURING THE IMMEDIATELY PRECEDING TAXABLE YEAR.~~
36 ~~THE NET INCREASE IN THE NUMBER OF QUALIFIED EMPLOYMENT POSITIONS COMPUTED~~
37 ~~UNDER THIS SUBSECTION SHALL NOT EXCEED TWO HUNDRED QUALIFIED EMPLOYMENT~~
38 ~~POSITIONS PER TAXPAYER EACH YEAR.~~

39 F. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 43-1077 OR 43-1079
40 SHALL NOT CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME
41 EMPLOYEES.

42 G. If the allowable tax credit exceeds the income taxes otherwise
43 due on the claimant's income, or if there are no state income taxes due on
44 the claimant's income, the amount of the claim not used as an offset against
45 income taxes may be carried forward as a tax credit against subsequent

1 taxable years' income tax liability, not to exceed five taxable years,
2 provided the business remains in an enterprise zone.

3 ~~E.~~ H. Co-owners of a business, including partners in a partnership
4 and shareholders of an S corporation, as defined in section 1361 of the
5 internal revenue code, may each claim only the pro rata share of the credit
6 allowed under this section based on the ownership interest. The total of the
7 credits allowed all such owners of the business may not exceed the amount
8 that would have been allowed for a sole owner of the business.

9 I. IF A PERSON PURCHASES A BUSINESS IN A ZONE OR CHANGES OWNERSHIP
10 THROUGH REORGANIZATION, STOCK PURCHASE OR MERGER, THE NEW TAXPAYER MAY CLAIM
11 FIRST YEAR CREDITS ONLY FOR ONE OR MORE QUALIFIED EMPLOYMENT POSITIONS THAT
12 IT CREATED AND FILLED WITH AN ELIGIBLE EMPLOYEE AFTER THE PURCHASE OR
13 REORGANIZATION WAS COMPLETE. IF A PERSON PURCHASES A TAXPAYER THAT HAD
14 QUALIFIED FOR FIRST OR SECOND YEAR CREDITS OR CHANGES OWNERSHIP THROUGH
15 REORGANIZATION, STOCK PURCHASE OR MERGER, THE NEW TAXPAYER MAY CLAIM THE
16 SECOND OR THIRD YEAR CREDITS IF IT MEETS OTHER ELIGIBILITY REQUIREMENTS OF
17 THIS SECTION. CREDITS FOR WHICH A TAXPAYER QUALIFIED BEFORE THE CHANGES
18 DESCRIBED IN THIS SUBSECTION ARE TERMINATED AND LOST AT THE TIME THE CHANGES
19 ARE IMPLEMENTED.

20 ~~F.~~ J. A failure to TIMELY report and certify to the department of
21 commerce AND THE DEPARTMENT OF REVENUE the information prescribed by section
22 41-1525, subsection ~~A~~ B, paragraphs 1, 2 and 3 AND IN THE MANNER PRESCRIBED
23 BY SECTION 41-1525, SUBSECTION C, disqualifies the taxpayer from the credit
24 under this section. THE DEPARTMENT OF REVENUE SHALL REQUIRE WRITTEN EVIDENCE
25 OF THE TIMELY REPORT TO THE DEPARTMENT OF COMMERCE.

26 ~~G.~~ K. The termination of an enterprise zone does not affect the
27 credit under this section with respect to:

28 1. Taxpayers who have employees in the second and third years of
29 employment in qualified employment positions under subsection SUBSECTIONS A,
30 paragraphs ~~2 and 3~~ B AND C of this section if the business remains in the
31 location that was in the enterprise zone.

32 2. Amounts carried forward into subsequent taxable years under
33 subsection ~~D~~ G of this section.

34 ~~H.~~ L. The department may adopt rules necessary for the administration
35 of this section.

36 M. FOR THE PURPOSES OF THIS SECTION:

37 1. "ASSIGNED TO RETAIL" MEANS WORKING MORE THAN TWENTY-FIVE PER CENT
38 OF AN EMPLOYEE'S TIME IN ONE OR MORE RETAIL ACTIVITIES.

39 2. "RETAIL" MEANS THE SALE OF TANGIBLE PERSONAL PROPERTY TO AN
40 ULTIMATE CONSUMER.

41 3. "RETAIL ACTIVITIES" MEANS ALL ACTIVITIES PERSONS OPERATING A RETAIL
42 BUSINESS NORMALLY ENGAGE IN, INCLUDING TAKING ORDERS, FILLING ORDERS, BILLING
43 ORDERS, RECEIVING AND PROCESSING PAYMENT AND SHIPPING, STOCKING AND
44 DELIVERING TANGIBLE PERSONAL PROPERTY TO THE ULTIMATE CONSUMER, EXCEPT DROP

1 SHIPMENTS BY A COMPANY ACTING ON BEHALF OF AN UNRELATED COMPANY THAT HAS MADE
2 A SALE TO A FINAL CONSUMER.

3 4. "ZONE LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF
4 OWNED OR LEASED LAND, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON THE
5 LAND OR ANY PART OF THE STRUCTURES OCCUPIED BY A TAXPAYER.

6 Sec. 9. Section 43-1077, Arizona Revised Statutes, is amended to read:

7 43-1077. Credit for employment by qualified defense contractor

8 A. A credit is allowed against the taxes imposed by this title for:

9 1. Net increases in employment under United States department of
10 defense contracts during the taxable year, as computed under subsection D of
11 this section, by a qualified defense contractor who is certified by the
12 department of commerce under section 41-1508.

13 2. Net increases in private commercial employment during the taxable
14 year, as computed under subsection E of this section, by a qualified defense
15 contractor who is certified by the department of commerce under section
16 41-1508 due to full-time equivalent employee positions transferred during the
17 taxable year by the taxpayer from exclusively defense related activities to
18 employment by the taxpayer in exclusively private commercial activities.

19 B. The amount of the credit is a dollar amount allowed for each
20 full-time equivalent employee position created, determined as follows:

21 1st year	\$2,500
22 2nd year	\$2,000
23 3rd year	\$1,500
24 4th year	\$1,000
25 5th year	\$ 500

26 C. If the allowable tax credit exceeds the taxes otherwise due under
27 this title on the claimant's income, or if there are no taxes due under this
28 title, the taxpayer may carry the amount of the claim not used to offset the
29 taxes under this title forward until taxable years beginning from and after
30 December 31, 2011 as a credit against subsequent years' income tax liability,
31 regardless of continuing certification as a qualified defense contractor.

32 D. The net increase in employment under defense related contracts
33 shall be determined as follows:

34 1. Establish an employment baseline for the taxpayer based on a
35 multiyear forecast of employment on United States department of defense
36 contracts that was submitted to the department of defense before June 1,
37 1992. The annual average employment forecast for the first year the taxpayer
38 qualified is the baseline. If the taxpayer did not make such a forecast
39 before June 1, 1992, the baseline is the average annual employment as
40 reported to the department of economic security during the preceding taxable
41 year. If a taxpayer qualifies in the same year it relocates into this state,
42 the taxpayer's baseline is zero.

43 2. For the first year of the credit, the taxpayer's net increase in
44 average employment is the increase in employment reported to the department
45 of economic security for the taxable year over the employment baseline.

1 3. For each succeeding year of the credit, the taxpayer's net increase
2 in average employment is the increase in employment reported to the
3 department of economic security for the taxable year over the preceding
4 taxable year's average employment.

5 E. In computing the amount of credit allowed under subsection A,
6 paragraph 2 of this section, the taxpayer shall:

7 1. Prorate employment during the taxable year according to the date
8 of transfer from defense to private commercial activities or the date of
9 transfer from private commercial activities to defense.

10 2. Compute and subtract an amount pursuant to subsection B of this
11 section for full-time equivalent employee positions that were transferred
12 during the taxable year by the taxpayer from exclusively private commercial
13 activities to exclusively defense related activities.

14 F. The taxpayer shall account for qualifying full-time equivalent
15 employee positions on a first-in first-out basis. If a decrease in
16 qualifying employment occurs, the taxpayer shall subtract the decrease from
17 the earliest qualifying positions.

18 G. A credit is not allowed under both subsection A, paragraphs 1 and
19 2 of this section with respect to the same employee position. A full-time
20 equivalent employee position may be considered for purposes of computing the
21 credit under either subsection A, paragraph 1 or 2 of this section, but not
22 both.

23 H. A credit is not allowed under this section with respect to
24 employment that was transferred from an outside contractor in this state to
25 in-house employment by the taxpayer solely for purposes of qualifying for the
26 credit.

27 I. A taxpayer who claims a credit under section 43-1074 OR 43-1079 may
28 not claim a credit under this section with respect to the same employees.

29 J. Co-owners of a business, including partners in a partnership and
30 shareholders of an S corporation, as defined in section 1361 of the internal
31 revenue code, may each claim only the pro rata share of the credit allowed
32 under this section based on the ownership interest. The total of the credits
33 allowed all such owners may not exceed the amount that would have been
34 allowed for a sole owner of the business.

35 Sec. 10. Section 43-1079, Arizona Revised Statutes, is amended to
36 read:

37 43-1079. Credit for increased employment in military reuse
38 zones; definition

39 A. A credit is allowed against the taxes imposed by this title for net
40 increases in employment by the taxpayer of full-time employees working in a
41 military reuse zone, established under title 41, chapter 10, article 3, and
42 who are primarily engaged in providing aviation or aerospace services or in
43 manufacturing, assembling or fabricating aviation or aerospace products. The
44 amount of the credit is a dollar amount allowed for each new employee,
45 determined as follows:

1 1. With respect to each employee other than a dislocated military base
2 employee:

3 1st year of employment	\$ 500
4 2nd year of employment	\$1,000
5 3rd year of employment	\$1,500
6 4th year of employment	\$2,000
7 5th year of employment	\$2,500

8 2. With respect to each dislocated military base employee:

9 1st year of employment	\$1,000
10 2nd year of employment	\$1,500
11 3rd year of employment	\$2,000
12 4th year of employment	\$2,500
13 5th year of employment	\$3,000

14 B. If the allowable tax credit exceeds the taxes otherwise due under
15 this title on the claimant's income, or if there are no taxes due under this
16 title, the amount of the claim not used to offset the taxes under this title
17 may be carried forward as a credit against subsequent years' income tax
18 liability for the period, not to exceed five taxable years, if the business
19 remains in the military reuse zone.

20 C. The net increase in the number of employees for purposes of this
21 section shall be determined by comparing the taxpayer's average employment
22 in the military reuse zone during the taxable year with the taxpayer's
23 previous year's fourth quarter employment in the zone, based on the
24 taxpayer's report to the department of economic security for unemployment
25 insurance purposes but considering only employment in the zone.

26 D. Co-owners of a business, including partners in a partnership and
27 shareholders of an S corporation, as defined in section 1361 of the internal
28 revenue code, may each claim only the pro rata share of the credit allowed
29 under this section based on the ownership interest. The total of the credits
30 allowed all such owners may not exceed the amount that would have been
31 allowed for a sole owner of the business.

32 E. A credit is not allowed under this section with respect to an
33 employee whose place of employment is relocated by the taxpayer from a
34 location in this state to the military reuse zone, unless the employee is
35 engaged in aviation or aerospace services or in manufacturing, assembling or
36 fabricating aviation or aerospace products and the taxpayer maintains at
37 least the same number of employees in this state but outside the zone.

38 F. A taxpayer who claims a credit under section 43-1074 OR 43-1077 may
39 not claim a credit under this section with respect to the same employees.

40 G. For THE purposes of this section, "dislocated military base
41 employee" means a civilian who previously had permanent full-time civilian
42 employment on the military facility as of the date the closure of the
43 facility was finally determined under federal law, as certified by the
44 department of commerce.

1 Sec. 11. Section 43-1161, Arizona Revised Statutes, is amended to
2 read:

3 43-1161. Credit for increased employment in enterprise zones;
4 definitions

5 A. A credit is allowed against the taxes imposed by this title for net
6 increases in qualified employment positions of residents of this state by a
7 business located in an enterprise zone established under title 41, chapter
8 10, article 2, except employment positions at a business ZONE location where
9 more than ten per cent of the business conducted at the location consists of
10 selling tangible personal property at retail, measured by EITHER the number
11 of employees assigned to retail OR THE SQUARE FOOTAGE OF THE FACILITY USED
12 FOR RETAIL TRANSACTIONS at the location in the zone AND LIMITED SOLELY TO THE
13 FOLLOWING RETAIL ACTIVITY AT THE LOCATION:

14 1. PRODUCTS MANUFACTURED, FABRICATED OR OTHERWISE PRODUCED AT THE
15 LOCATION.

16 2. FOOD AND BEVERAGE FOR CONSUMPTION ON THE PREMISES SOLELY BY
17 EMPLOYEES AND OCCASIONAL GUESTS OF EMPLOYEES AT THE LOCATION.

18 3. PROMOTIONAL PRODUCTS DISPLAYING THE COMPANY LOGO OR TRADEMARK.

19 B. SUBJECT TO SUBSECTION E OF THIS SECTION, the amount of the credit
20 is equal to:

21 1. One-fourth of the taxable wages paid to an employee in a qualified
22 employment position, not to exceed five hundred dollars, in the first year
23 or partial year of employment.

24 2. One-third of the taxable wages paid to an employee in a qualified
25 employment position, not to exceed one thousand dollars per qualified
26 employment position, in the second year of continuous employment.

27 3. One-half of the taxable wages paid to an employee in a qualified
28 employment position, not to exceed one thousand five hundred dollars per
29 qualified employment position, in the third year of continuous employment.

30 ~~B.~~ C. To qualify for a credit under this section:

31 1. All of the employees with respect to whom a credit is claimed must
32 reside in this state.

33 2. Thirty-five per cent of the employees with respect to whom a credit
34 is claimed for the first year of employment must reside on the date of hire
35 in an enterprise zone that is located in the same county in which the
36 business is located. IF AN EMPLOYEE FOR WHOM A CREDIT WAS ALLOWED IN THE
37 FIRST YEAR OF EMPLOYMENT LEAVES EMPLOYMENT DURING THE SECOND OR THIRD YEAR,
38 THE TAXPAYER MAY SUBSTITUTE ANOTHER EMPLOYEE WHO MEETS THE REQUIREMENTS OF
39 PARAGRAPH 3 OF THIS SUBSECTION AND WHO WAS HIRED DURING THE SAME YEAR AS THE
40 ORIGINAL EMPLOYEE. IF THE ORIGINAL EMPLOYEE WAS COUNTED TOWARD THE RESIDENCY
41 REQUIREMENT UNDER THIS PARAGRAPH, THE SUBSTITUTE EMPLOYEE MUST ALSO HAVE
42 RESIDED IN A ZONE AT THE TIME THE SUBSTITUTE WAS HIRED.

43 3. A qualified employment position must meet all of the following
44 requirements:

1 (a) The position must be a minimum of one thousand seven hundred fifty
2 hours per year of full-time AND PERMANENT employment.

3 (b) THE JOB DUTIES MUST BE PERFORMED PRIMARILY AT THE ZONE LOCATIONS
4 OF THE BUSINESS. IF AN ELIGIBLE EMPLOYEE IN A QUALIFIED EMPLOYMENT POSITION
5 IS TRANSFERRED OR ASSIGNED TO WORK IN THE TAXPAYER'S WORKPLACE AT A DIFFERENT
6 LOCATION THAT IS ALSO LOCATED IN AN ENTERPRISE ZONE AND QUALIFIES AS A ZONE
7 LOCATION, IT MAY BE CONSIDERED TO BE CONTINUOUS EMPLOYMENT IF IT CONTINUES
8 TO MEET ALL QUALIFIED EMPLOYMENT POSITION REQUIREMENTS.

9 (b) (c) The employment must include health insurance coverage for the
10 employee for which the employer pays at least fifty per cent of the premium
11 or membership cost. IF THE TAXPAYER IS SELF-INSURED, THE TAXPAYER MUST PAY
12 AT LEAST FIFTY PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN
13 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED
14 CLAIMS.

15 (c) (d) The employer must pay compensation at least equal to the wage
16 offer by county as computed annually by the department of economic security
17 research administration division.

18 (d) (e) The employee must have been employed for at least ninety days
19 during the first taxable year. An employee who is hired during the last
20 ninety days of the taxable year shall be considered a new employee during the
21 next taxable year. A QUALIFIED EMPLOYMENT POSITION THAT IS FILLED DURING THE
22 LAST NINETY DAYS OF THE TAXABLE YEAR IS CONSIDERED TO BE A NEW QUALIFIED
23 EMPLOYMENT POSITION FOR THE NEXT TAXABLE YEAR.

24 (e) (f) The employee has not been previously employed by the taxpayer
25 within twelve months before the current date of hire.

26 D. A CREDIT IS ALLOWED FOR EMPLOYMENT IN THE SECOND AND THIRD YEAR
27 ONLY FOR QUALIFIED EMPLOYMENT POSITIONS FOR WHICH A CREDIT WAS ALLOWED AND
28 CLAIMED BY THE TAXPAYER ON THE ORIGINAL FIRST AND SECOND YEAR TAX RETURNS.

29 ~~E. The net increase in the number of qualified employment~~
30 ~~positions shall be determined by comparing the average number of qualified~~
31 ~~employment positions during the taxable year with the full-time employment~~
32 ~~during the immediately preceding taxable year according to the report~~
33 ~~required by section 41-1525 and filed with the department of commerce IS THE~~
34 LESSER OF THE TOTAL NUMBER OF FILLED QUALIFIED EMPLOYMENT POSITIONS CREATED
35 IN THE ZONE DURING THE TAX YEAR OR THE DIFFERENCE BETWEEN THE AVERAGE NUMBER
36 OF FULL-TIME EMPLOYEES IN THE ZONE IN THE CURRENT TAX YEAR AND THE AVERAGE
37 NUMBER OF FULL-TIME EMPLOYEES DURING THE IMMEDIATELY PRECEDING TAXABLE YEAR.
38 THE NET INCREASE IN THE NUMBER OF QUALIFIED EMPLOYMENT POSITIONS COMPUTED
39 UNDER THIS SUBSECTION MAY NOT EXCEED TWO HUNDRED QUALIFIED EMPLOYMENT
40 POSITIONS PER TAXPAYER EACH YEAR.

41 F. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 43-1165 OR 43-1167 MAY
42 NOT CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME EMPLOYEES.

43 ~~D. G. If the allowable tax credit exceeds the income taxes otherwise~~
44 ~~due on the claimant's income, or if there are no state income taxes due on~~
45 ~~the claimant's income, the amount of the claim not used as an offset against~~

1 income taxes may be carried forward as a tax credit against subsequent years'
2 income tax liability for the period, not to exceed five taxable years,
3 provided the business remains in an enterprise zone.

4 ~~F.~~ H. Co-owners of a business, including partners in a partnership,
5 may each claim only the pro rata share of the credit allowed under this
6 section based on the ownership interest. The total of the credits allowed
7 all such owners of the business may not exceed the amount that would have
8 been allowed for a sole owner of the business.

9 I. IF A PERSON PURCHASES A BUSINESS IN A ZONE OR CHANGES OWNERSHIP
10 THROUGH REORGANIZATION, STOCK PURCHASE OR MERGER, THE NEW TAXPAYER MAY CLAIM
11 FIRST YEAR CREDITS ONLY FOR ONE OR MORE QUALIFIED EMPLOYMENT POSITIONS THAT
12 IT CREATED AND FILLED WITH AN ELIGIBLE EMPLOYEE AFTER THE PURCHASE OR
13 REORGANIZATION WAS COMPLETE. IF A PERSON PURCHASES A TAXPAYER THAT HAD
14 QUALIFIED FOR FIRST OR SECOND YEAR CREDITS OR CHANGES OWNERSHIP THROUGH
15 REORGANIZATION, STOCK PURCHASE OR MERGER, THE NEW TAXPAYER MAY CLAIM THE
16 SECOND OR THIRD YEAR CREDITS IF IT MEETS OTHER ELIGIBILITY REQUIREMENTS OF
17 THIS SECTION. CREDITS FOR WHICH A TAXPAYER QUALIFIED BEFORE THE CHANGES
18 DESCRIBED IN THIS SUBSECTION ARE TERMINATED AND LOST AT THE TIME THE CHANGES
19 ARE IMPLEMENTED.

20 ~~F.~~ J. A failure to TIMELY report and certify to the department of
21 commerce AND THE DEPARTMENT OF REVENUE the information prescribed by section
22 41-1525, subsection ~~A~~ B, paragraphs 1, 2 and 3 AND IN THE MANNER PRESCRIBED
23 BY SECTION 41-1525, SUBSECTION C, disqualifies the taxpayer from the credit
24 under this section. THE DEPARTMENT OF REVENUE SHALL REQUIRE WRITTEN EVIDENCE
25 OF THE TIMELY REPORT TO THE DEPARTMENT OF COMMERCE.

26 ~~G.~~ K. The termination of an enterprise zone does not affect the
27 credit under this section with respect to:

28 1. Taxpayers that have employees in the second and third years of
29 employment in qualified employment positions under ~~subsection~~ SUBSECTIONS A,
30 paragraphs ~~2 and 3~~ B AND C of this section if the business remains in the
31 location that was in the enterprise zone.

32 2. Amounts carried forward into subsequent taxable years under
33 subsection ~~D~~ G of this section.

34 ~~H.~~ L. The department may adopt rules necessary for the administration
35 of this section.

36 M. FOR THE PURPOSES OF THIS SECTION:

37 1. "ASSIGNED TO RETAIL" MEANS WORKING MORE THAN TWENTY-FIVE PER CENT
38 OF AN EMPLOYEE'S TIME IN ONE OR MORE RETAIL ACTIVITIES.

39 2. "RETAIL" MEANS THE SALE OF TANGIBLE PERSONAL PROPERTY TO AN
40 ULTIMATE CONSUMER.

41 3. "RETAIL ACTIVITIES" MEANS ALL ACTIVITIES PERSONS OPERATING A RETAIL
42 BUSINESS NORMALLY ENGAGE IN, INCLUDING TAKING ORDERS, FILLING ORDERS, BILLING
43 ORDERS, RECEIVING AND PROCESSING PAYMENT AND SHIPPING, STOCKING AND
44 DELIVERING TANGIBLE PERSONAL PROPERTY TO THE ULTIMATE CONSUMER, EXCEPT DROP

1 SHIPMENTS BY A COMPANY ACTING ON BEHALF OF AN UNRELATED COMPANY THAT HAS MADE
2 A SALE TO A FINAL CONSUMER.

3 4. "ZONE LOCATION" MEANS A SINGLE PARCEL OR CONTIGUOUS PARCELS OF
4 OWNED OR LEASED LAND, THE STRUCTURES AND PERSONAL PROPERTY CONTAINED ON THE
5 LAND OR ANY PART OF THE STRUCTURES OCCUPIED BY A TAXPAYER.

6 Sec. 12. Section 43-1165, Arizona Revised Statutes, is amended to
7 read:

8 43-1165. Credit for employment by qualified defense contractor

9 A. A credit is allowed against the taxes imposed by this title for:

10 1. Net increases in employment under United States department of
11 defense contracts during the taxable year, as computed under subsection D of
12 this section, by a qualified defense contractor that is certified by the
13 department of commerce under section 41-1508.

14 2. Net increases in private commercial employment during the taxable
15 year, as computed under subsection E of this section, by a qualified defense
16 contractor that is certified by the department of commerce under section
17 41-1508 due to full-time equivalent employee positions transferred during the
18 taxable year by the taxpayer from exclusively defense related activities to
19 employment by the taxpayer in exclusively private commercial activities.

20 B. The amount of the credit is a dollar amount allowed for each
21 full-time equivalent employee position created, determined as follows:

22 1st year	\$2,500
23 2nd year	\$2,000
24 3rd year	\$1,500
25 4th year	\$1,000
26 5th year	\$ 500

27 C. If the allowable tax credit exceeds the taxes otherwise due under
28 this title on the claimant's income, or if there are no taxes due under this
29 title, the taxpayer may carry the amount of the claim not used to offset the
30 taxes under this title forward until taxable years beginning from and after
31 December 31, 2011 as a credit against subsequent years' income tax liability,
32 regardless of continuing certification as a qualified defense contractor.

33 D. The net increase in employment under defense related contracts
34 shall be determined as follows:

35 1. Establish an employment baseline for the taxpayer based on a
36 multiyear forecast of employment on United States department of defense
37 contracts that was submitted to the department of defense before June 1,
38 1992. The annual average employment forecast for the first year the taxpayer
39 qualified is the baseline. If the taxpayer did not make such a forecast
40 before June 1, 1992, the baseline is the average annual employment as
41 reported to the department of economic security during the preceding taxable
42 year. If a taxpayer qualifies in the same year it relocates into this state,
43 the taxpayer's baseline is zero.

1 2. For the first year of the credit, the taxpayer's net increase in
2 average employment is the increase in employment reported to the department
3 of economic security for the taxable year over the employment baseline.

4 3. For each succeeding year of the credit, the taxpayer's net increase
5 in average employment is the increase in employment reported to the
6 department of economic security for the taxable year over the preceding
7 taxable year's average employment.

8 E. In computing the amount of credit allowed under subsection A,
9 paragraph 2 of this section, the taxpayer shall:

10 1. Prorate employment during the taxable year according to the date
11 of transfer from defense to private commercial activities or the date of
12 transfer from private commercial activities to defense.

13 2. Compute and subtract an amount pursuant to subsection B of this
14 section for full-time equivalent employee positions that were transferred
15 during the taxable year by the taxpayer from exclusively private commercial
16 activities to exclusively defense related activities.

17 F. The taxpayer shall account for qualifying full-time equivalent
18 employee positions on a first-in first-out basis. If a decrease in
19 qualifying employment occurs, the taxpayer shall subtract the decrease from
20 the earliest qualifying positions.

21 G. A credit is not allowed under both subsection A, paragraphs 1 and
22 2 of this section with respect to the same employee position. A full-time
23 equivalent employee position may be considered for purposes of computing the
24 credit under either subsection A, paragraph 1 or 2 of this section, but not
25 both.

26 H. A credit is not allowed under this section with respect to
27 employment that was transferred from an outside contractor in this state to
28 in-house employment by the taxpayer solely for purposes of qualifying for the
29 credit.

30 I. A taxpayer that claims a credit under section 43-1161 OR 43-1167
31 may not claim a credit under this section with respect to the same employees.

32 J. Co-owners of a business, including corporate partners in a
33 partnership, may each claim only the pro rata share of the credit allowed
34 under this section based on the ownership interest. The total of the credits
35 allowed all such owners may not exceed the amount that would have been
36 allowed for a sole owner of the business.

37 Sec. 13. Section 43-1167, Arizona Revised Statutes, is amended to
38 read:

39 43-1167. Credit for increased employment in military reuse
40 zones; definition

41 A. A credit is allowed against the taxes imposed by this title for net
42 increases in employment by the taxpayer of full-time employees working in a
43 military reuse zone, established under title 41, chapter 10, article 3, and
44 who are primarily engaged in providing aviation or aerospace services or in
45 manufacturing, assembling or fabricating aviation or aerospace products. The

1 amount of the credit is a dollar amount allowed for each new employee,
2 determined as follows:

3 1. With respect to each employee other than a dislocated military base
4 employee:

5 1st year of employment	\$ 500
6 2nd year of employment	\$1,000
7 3rd year of employment	\$1,500
8 4th year of employment	\$2,000
9 5th year of employment	\$2,500

10 2. With respect to each dislocated military base employee:

11 1st year of employment	\$1,000
12 2nd year of employment	\$1,500
13 3rd year of employment	\$2,000
14 4th year of employment	\$2,500
15 5th year of employment	\$3,000

16 B. If the allowable tax credit exceeds the taxes otherwise due under
17 this title on the claimant's income, or if there are no taxes due under this
18 title, the amount of the claim not used to offset the taxes under this title
19 may be carried forward as a credit against subsequent years' income tax
20 liability for the period, not to exceed five taxable years, if the business
21 remains in the military reuse zone.

22 C. The net increase in the number of employees for purposes of this
23 section shall be determined by comparing the taxpayer's average employment
24 in the military reuse zone during the taxable year with the taxpayer's
25 previous year's fourth quarter employment in the zone, based on the
26 taxpayer's report to the department of economic security for unemployment
27 insurance purposes but considering only employment in the zone.

28 D. Co-owners of a business, including corporate partners in a
29 partnership, may each claim only the pro rata share of the credit allowed
30 under this section based on the ownership interest. The total of the credits
31 allowed all such owners may not exceed the amount that would have been
32 allowed for a sole owner of the business.

33 E. A credit is not allowed under this section with respect to an
34 employee whose place of employment is relocated by the taxpayer from a
35 location in this state to the military reuse zone unless the employee is
36 engaged in aviation or aerospace services or in manufacturing, assembling or
37 fabricating aviation or aerospace products and the taxpayer maintains at
38 least the same number of employees in this state but outside the zone.

39 F. A taxpayer who claims a credit under section 43-1161 OR 43-1165 may
40 not claim a credit under this section with respect to the same employees.

41 G. For THE purposes of this section, "dislocated military base
42 employee" means a civilian who previously had permanent full-time civilian
43 employment on the military facility as of the date the closure of the
44 facility was finally determined under federal law, as certified by the
45 department of commerce.

1 Sec. 14. Laws 2001, chapter 370, section 9 is amended to read:

2 Sec. 9. Extension or renewal of current enterprise zones

3 A. ~~Except as provided by subsection B of this section,~~ The department
4 of commerce may renew any enterprise zone that was in existence on January
5 1, 2001 for a period expiring on the earlier of five years after the date the
6 zone was first established or December 31, 2005.

7 B. The department may renew a zone that was initially established
8 based on the poverty rate pursuant to section 41-1523, subsection A,
9 paragraph 2, Arizona Revised Statutes, for a period expiring on the earlier
10 of December 31, 2005 or December 31 of the first complete calendar year after
11 the 2000 United States decennial census poverty data become available, as
12 determined by the department.

13 C. Any zone renewed under SUBSECTION B OF this section is subject to
14 subsequent renewals in the manner prescribed by section 41-1524, Arizona
15 Revised Statutes.

16 Sec. 15. Retroactivity

17 This act applies retroactively to taxable years beginning from and
18 after December 31, 2001.

19 Sec. 16. Requirements for enactment; two-thirds vote

20 Pursuant to article IX, section 22, Constitution of Arizona, this act
21 is effective only on the affirmative vote of at least two-thirds of the
22 members of each house of the legislature and is effective immediately on the
23 signature of the governor or, if the governor vetoes this act, on the
24 subsequent affirmative vote of at least three-fourths of the members of each
25 house of the legislature.

APPROVED BY THE GOVERNOR MAY 20, 2002.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 20, 2002.

Passed the House April 4, 2002,

Passed the Senate April 30, 2002

by the following vote: 46 Ayes,

by the following vote: 25 Ayes,

9 Nays, 5 Not Voting
Article IX, Section 22

1 Nays, 4 Not Voting
With Art. IX, Sec. 22

[Signature]
Speaker of the House

[Signature]
President of the Senate

[Signature]
Chief Clerk of the House

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

 day of , 20 ,

at o'clock M.

Secretary to the Governor

Approved this day of

 , 20 ,

at o'clock M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this day of , 20 ,

at o'clock M.

Secretary of State

H.B. 2181

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

May 16, 2002,

by the following vote: 50 Ayes,

7 Nays, 3 Not Voting
Article IX, Section 22

[Signature]
Speaker of the House

[Signature]
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

16 day of May, 2002,

at 3:00 o'clock P M.

[Signature]
Secretary to the Governor

Approved this 20 day of

May, 2002,

at 10:45 o'clock A M.

[Signature]
Governor of Arizona

H.B. 2181

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 20 day of May, 2002,

at 3:54 o'clock P M.

[Signature]
Secretary of State